



## DIY APPROACH TO TAX DOESN'T CUT IT

Seeing the IRD as 'the enemy' is as flawed an approach as seeing them as 'your friend'.

That was the blunt message directors Glen Beal and Lincoln Sharp spelt out to business people who attended our Small Business Taxation seminar in early March.

The seminar gave business people an overview of their obligations, their rights, what could be claimed and the penalties for getting things wrong.

Two of the more practical pieces of advice offered up were:

- If you are uncertain, you need advice.
- Call the IRD before they call you.

"All too often business people become overly defensive in their dealings with the IRD, or look to the IRD to assist them to manage their affairs in a tax effective way", said Glen.

He goes on to say, "Neither approach is right, or the most tax effective.

"A business (and its shareholders) has every right to organise its affairs in a way that avoids

paying more tax than necessary.

"There are exemptions, claims and legitimate tax structures, and understanding the complexity of modern taxation and the constantly changing 'rulings', requires professional input.

"A DIY approach doesn't cut it.

"Even worse, once you have committed to a certain approach, it is very difficult to restructure arrangements into a more tax beneficial, totally legitimate structure."

The question and answer session at the conclusion of the seminar was a lively exchange, and brought home to all present the range of taxation 'challenges' that can develop.

For those who missed the seminar and would like to attend the next, keep an eye on upcoming editions of *Myaccountant* for advance warning, or call your normal advisor for more information.

## BUILD YOUR BUSINESS CAPABILITY

CTCW has joined forces with Enterprise Franklin to bring you a bigger and better seminar programme. The Enterprise Training Programme and Enterprise Franklin are offering fully funded workshops to assist in building business capability. CTCW is pleased to extend this offer to our valued clients.

The following schedule replaces that printed in our December newsletter and takes place at the Counties Inn, 17 Paerata Road, Pukekohe:

- 30 April **How to successfully market your Services**  
9am-4.30pm
- 14 May **Prospecting & closing the deal**  
9am-4.30pm
- 22 May **Effective goal setting & business planning**  
9am-4.30pm
- 27 May **Marketing yourself and your product for specialised manufacturers**  
9am-4.30pm
- 10 June **Prospecting and closing new business for specialised manufacturers**  
9am-4.30pm

To register for these workshops, please contact: EnterpriseTraining@WHKBusinessGrowth.com or 09 968 8555, or visit www.WHKBusinessGrowth.com for further information.

## FEEL FREE TO CONTACT US

Glen Beal	Peter Raynes
Neil Gollan	Jeff Rowsell
Nigel Hicks	Lincoln Sharp

17 Hall Street  
PO Box 324  
Pukekohe  
New Zealand

T +64 9 238 9219  
 F +64 9 238 6826  
 E team@ctcw.co.nz  
 W www.ctcw.co.nz

## TAPPING INTO FREE BUSINESS EXPERTISE

A major new service now available to small businesses in Franklin is the Business Mentors programme.

The service sees a mentor working with companies that employ less than 25 staff to solve specific business issues, or provide a fresh perspective to the challenges that restrict a business from growing and succeeding.

A business mentor does not 'do things for you'. Rather they share with you their experience and expertise, providing insight, opinions, ideas and feedback. They point you in the direction of finding your own answers.

Joining the scheme costs an initial sign-on fee of \$100, and from then on the involvement of the business mentor is free of charge.

The programme is run by Business Mentors New Zealand, a private enterprise trust supported by New Zealand companies and New Zealand Trade & Enterprise.

The trust has more than 1,400 volunteer mentors on its books. All are seasoned

business people whose skill base includes; sales and marketing, general management, finance and accounting, administration, production and distribution, human resources, legal, international trade and export, and technology.

At CTCW we are extremely positive about this service, and are keen to foster its growth in the Franklin area.

Working with a business mentor is a realistic way of adding to your own knowledge base by taking advantage of the vast pool of experience that exists within the community. The mentor programme complements the business services we offer as a practice.

If you would like to know more about the service talk to your CTCW advisor, or you can go direct to Business Mentors www.businessmentors.co.nz, telephone 0800 103 400.

# myaccountant

newsletter



## NEW BLOOD JOINS FIRM'S LEADERSHIP TEAM

We have appointed Lincoln Sharp as a Director of Campbell Tyson Cooper White, and he has become a shareholder in the practice.

Lincoln joined us 18 months ago when he relocated from the Auckland City based practice WHK Gosling Chapman. Many of our customers will already know him well through his activities as an Associate.

Lincoln has become the 20th director of the firm since we were founded 86 years ago (Directors were previously known as partners).

In announcing the promotion, Director Glen Beal said Lincoln had made an immediate mark

As a practice we are committed to fostering talent, adding new capabilities and areas of expertise to our service offering, and partnering with our clients to assist them to succeed.

Glen Beal/Director

with clients and colleagues with his strong technical skills and consulting capabilities.

"We welcome Lincoln to the leadership team, and have no doubt of the positive contribution he will make to our future direction."

The five other directors of the firm are Glen Beal, Neil Gollan, Nigel Hicks, Peter Raynes and Jeff Rowsell.

Lincoln said a key attraction of joining Campbell Tyson Cooper White was its focus on being a financial and business advisory firm.

"We supplement accountancy and economic expertise with real in-depth specialisation in areas such as tax advice, financial planning, business development and trust formation.

"Our total focus is on our client's needs, and we are prepared to evolve as those needs change.

"That is the way of the future and it has been my ambition to find a role in a practice that is passionate about using the full range of accounting, economic and business skills to assist clients achieve their business goals in the ever more demanding modern world."

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AS TOUGH TIMES FOLLOW GOOD, GOOD TIMES WILL FOLLOW TOUGH ONES. THOSE THAT PLAN TO BE AROUND WHEN THE GOOD TIMES ROLL AROUND AGAIN HAVE A FAR GREATER CHANCE OF MAKING IT THAN THOSE THAT 'WING IT'.

# IN TOUGH TIMES REVISE PLANS AND FOCUS ON BASICS

With the world economy going through uncertain times and recent local surveys putting business confidence at their lowest levels in two years, economists and commentators are telling us to 'brace for leaner times ahead'.

For most of us, such 'warning bells' tell us now is the right time to look ahead in terms of planning and reviewing our business procedures to ensure we are shipshape to weather any downturn in trading or tighter economic conditions.

While it is important that we don't talk ourselves into a negative frame of mind, nor should we blindly believe that New Zealand will sail through world events without feeling the side effects.

The prudent will be evaluating their future plans and fine tuning their initiatives over the next 12 to 18 months, so they remain flexible and are able to respond rapidly to whatever economic conditions prevail.

Such fine tuning could involve re-evaluating staffing requirements, or buying that new capital item for cash. Alternatively, it may involve thinking through just how they would cope with a 10% decline in expected sales, or funding costs going up by 1 percentage point.

Whenever times get tough a key area of focus has to be cash flow. Cash is the life blood of every business and, during uncertain times,

access to credit becomes more difficult and more expensive.

Areas of particular focus are; ensuring debtor collection rates do not start to develop a tail, we don't inadvertently start to exceed overdraft limits and we put aside funds to meet regular commitments such as GST, tax and PAYE payments.

If things do start to get tough, the wise make an early decision to talk to their financial adviser. If necessary, advisers will involve the bank or other funders in discussions. If there is one thing banks dislike more than businesses struggling to stay within their credit covenants, it is businesses that don't keep them informed. Lenders are adverse to surprise.

As tough times follow good, good times will follow tough ones. Those that plan to be around when the good times roll around again have a far greater chance of making it than those that 'wing it'.

LINCOLN SHARP  
DIRECTOR

## LOCAL BUSINESS SHOWCASES ITSELF

The Franklin Small Business Expo is being launched in Pukekohe on Thursday 22 May and will be held all day Friday 23 May. This is a great opportunity for local businesses to showcase themselves to others, and also to seek out new potential business partners.

Campbell Tyson Cooper White is a major sponsor of the event, which is being organised by Enterprise Franklin.

This is the most important business expo ever held in our area, and is designed to make local business aware of the extent of, depth and business expertise that exists in Franklin.

We have more than 7,300 local businesses generating more than \$1.2 billion of economic output, and we are strongly represented in the manufacturing, construction/building, retail and primary sectors.

As part of the Expo we will be holding a series of seminars on the Friday geared towards assisting business owners grow their operations. Also, one of our regular Business

Breakfasts, with a key note speaker, will be held at 8am on Friday morning.

A standard Expo site (3m x 2m) costs \$595 plus GST.

If you make the decision not to exhibit, there will be great value in you attending and getting to know the capabilities of other Franklin businesses.

Having a strong local business infrastructure generates greater economic activity, which ultimately benefits every business.

You can obtain more information about the Expo direct from Enterprise Franklin (Telephone: 09 237 0005. Fax: 09 237 0006. Web: www.enterprisefranklin.co.nz) or from your practice advisor.

You're not just a number to us.

CHARTERED ACCOUNTANTS

To find out call 09 238 9219

## RUN THAT BY ME AGAIN...

### KIWISAVER

From April 1 2008 employers are compelled to contribute to KiwiSaver for their staff (being 1% of PAYE remuneration).

Employers are entitled to up to a \$20 per week PAYE credit per employee against this cost. It is possible to top-up employer contributions to \$20 per week at no additional cost to the employer. Now, what KiwiSaver employee wouldn't thank you for that?

### USE OF MONEY INTEREST RATES

Unless you are a safe-harbour taxpayer (that is, an individual with less than \$35,000 residual income tax who has met all their tax payment/filing requirements), the IRD charge you interest on any difference between what, in hindsight, should have been paid and what was actually paid. At an interest rate of 14.24%, you might like to think about who it would be cheaper to borrow from?

It is important to be accurate because the 6.66% rate you will receive from the IRD if you overpay compares poorly to secure deposit rates with banks.

If you expect your performance to be significantly different from previous years, see your CTCW Advisor.

### CHARITIES REGISTER

From 1 July 2008 all charities in New Zealand that wish to be tax exempt need to be on the Charities Register. The register is maintained by the Charities Commission and can be found at [www.charities.govt.nz](http://www.charities.govt.nz).

If you are considering making a donation to charity and anticipate being able to claim the donation as a taxable deduction, make sure the charity is on the register.

### YOU MAY QUALIFY FOR R&D TAX CREDITS

From the start of this tax year (April 1, 2008) IRD will allow a tax credit of 15 cents in the dollar for 'eligible research and development'.

At the time of publication, IRD had not finalised the criteria as to what is eligible but the broad definition covered *investigations and experimental activities carried out to acquire new knowledge or create new or improved materials, products, devices, processes or services...*

Until the criteria is published, we recommend you keep good records of any activity, including staff time, that might fall under this umbrella.

We will update you in due course.

### DONATION REBATE

Still on the charitable topic, from 1 April 2008 the donations threshold of \$1,890 is being removed. This means that an annual rebate claim can be made for one third of all donations (up to the tax you have paid for the year) made to approved charities.

Furthermore, deductions can be claimed for closely held companies (generally, having five or fewer shareholders) up to 5% of net income for the company.

Make sure you hold on to those donation receipts to include in your returns.

## BUSINESS OWNERS SHOULD HARVEST KIWISAVER BENEFITS

The benefits available to individuals from the KiwiSaver scheme are such that owners of businesses should give serious consideration to joining the scheme, even if they have to change their tax status to that of employee.

While there will always be the odd instance where some business owners will not be better off, they will be few and far between, and whether it is to your advantage can be readily established by your business advisor.

In spite of administrative hassles, the fact that some 300,000 people had signed on to KiwiSaver in its first five months shows that many are following the advice of independent financial advisor and NZ Herald columnist, Mary Holm, who is quoted as saying: *if you are under 65 — regardless of your circumstances — you should join the new KiwiSaver savings scheme, even if you have to borrow to do so.*

Some of the more compelling reasons for a business owner to join the scheme are embedded in its detailed workings, and revolve around Government contributions, tax credits and salary sacrifice options.

Rather than attempt to explain these complex issues within this article, we would encourage you to speak to your CTCW advisor for more information.

It is also possible that employers can pay their employees greater than the compulsory 1% contribution immediately, without it actually costing them any more than if they were paying the minimum statutory amount.

This becomes possible through tax credits, but the benefit is only available to those that earn less than \$104,300 a year. Again, discuss this with your CTCW advisor if you want more information.

By now all employers should be clear on their responsibilities in terms of KiwiSaver. Fundamental among them are:

- New employees must be signed up.
- You must sign up existing employees who want to join.
- You must top up employees' contributions by 1% of their total pay.

CTCW is able to assist you if you are at all unsure.